CONFORMED

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended September 30, 1996

Commission File No. 0-20728

RIMAGE CORPORATION

(Exact name of Registrant as specified in its charter)

Minnesota	41-1577970
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7725 Washington Avenue South, Edina, MN 55439

(Address of principal executive offices)

612-944-8144

(Registrant's telephone number, including area code)

NA

(Former name, former address, and former fiscal year, if changed since last report.)

Common Stock outstanding at November 8, 1996 -- 3,084,500 shares of $.01 par value Common Stock.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.   Yes   X   No

RIMAGE CORPORATION

FORM 10-Q

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RIMAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	September 30, 1996	December 31, 1995
Current assets:	(unaudited)	
Cash	$ 24,712	$ 230,014
Trade accounts receivable, net of allowance for doubtful accounts and sales returns of $519,832 and $644,576 respectively	8,345,534	9,493,142
Inventories (note 2)	4,818,850	4,690,326
Income tax receivable	243,595	250,012
Prepaid expenses and other current assets	422,878	330,975
Current portion of deferred income tax asset	1,196,000	1,196,000
Current installments of investment in sales-type leases	226,217	260,188
Total current assets	15,277,786	16,450,657
Property, plant, and equipment, net	8,966,721	4,883,766
Investment in sales-type leases, net of current installments	208,650	307,120
Goodwill	949,585	1,010,120
Deferred income tax asset net of current portion	123,388	0
Other assets	872,972	1,132,547
Total assets	$ 26,399,102	$ 23,784,210
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable (note 6)	$ 6,820,000	$ 4,725,400
Current installments of capital lease obligations	316,894	35,750
Trade accounts payable	5,489,549	5,761,742
Accrued expenses	1,518,079	1,354,241
Deferred income and customer deposits	474,169	765,777
Total current liabilities	14,618,691	12,642,910
Notes payable, less current portion (note 6)	183	167,524
Deferred tax liability	131,000	131,000
Capital lease obligations, less current installments	3,107,527	1,582,504
Total liabilities	17,857,401	14,523,938
Minority interest in inactive subsidiary	57,907	57,907
Stockholders' equity (note 4):		
Common stock	30,845	30,510
Additional paid-in capital	10,447,798	10,301,883
Accumulated deficit (note 4)	(1,964,079)	(1,151,280)
Equity adjustment from foreign currency translation	(30,770)	21,252
Total stockholders' equity	8,483,794	9,202,365
Commitments and contingencies	-	-
Total Liabilities and Stockholders' Equity	$ 26,399,102	$ 23,784,210

See accompanying notes to consolidated financial statements

RIMAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

<TABLE>
<CAPTION>

	Three Months Ended September 30, 1996	Three Months Ended September 30, 1995	Nine months Ended September 30, 1996	Nine months Ended September 30, 1995
<S>	<C>	<C>	<C>	<C>
Revenues	$12,121,699	$14,861,878	$33,072,107	$37,399,060
Cost of revenues	9,333,752	11,284,929	24,941,683	27,819,388
Gross Profit.	2,787,947	3,576,949	8,130,424	9,579,672
Operating expenses:				
Engineering and development	587,113	852,590	2,054,242	2,508,012
Selling, general and administrative	2,058,406	2,517,899	6,539,688	6,880,474
Total operating expenses.	2,645,519	3,370,489	8,593,930	9,388,486
Operating earnings (loss)	142,428	206,460	(463,506)	191,186
Other income (expense)				
Interest	(167,603)	(157,367)	(439,097)	(413,403)
Gain(loss) on currency exchange.	38,942	(34,419)	27,335	72,011
Merger expense	0	(156,238)	0	(156,238)
Other, net	23,318	37,273	62,469	26,760
Total other expenses, net	(105,343)	(310,751)	(349,293)	(470,870)
Net earnings (loss) before income taxes	37,085	(104,291)	(812,799)	(279,684)
Income tax benefit.	0	(112,010)	0	(137,000)
Historical net earnings (loss)	$ 37,085	$ 7,719	$ (812,799)	$ (142,684)
Historical net earnings (loss)	$ 37,085	$ 7,719	$ (812,799)	$ (142,684)
Proforma income tax expense	0	89,727	0	25,000
Proforma net earnings (loss).	$ 37,085	$ (82,008)	$ (812,799)	$ (167,684)

Proforma net earnings (loss) per common and common equivalent share	$0.01	($0.03)	($0.26)	($0.05)
Weighted average shares and share equivalents outstanding	3,118,432	3,083,834	3,107,427	3,066,593

</TABLE>

See accompanying condensed notes to the consolidated financial statements

RIMAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine months ended September 30, 1996	1995
Cash flows from operating activities:		
Net loss	$ (812,799)	$ (142,684)
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,120,775	1,108,297
Change in reserve for excess and obsolete inventories	(110,000)	354,077
Change in reserve for doubtful accounts	(124,744)	200,142
Gain on sale of property, plant, and equipment	(3,469)	0
Deferred income tax	(123,388)	(104,000)
Increase in investment in sales-type leases	(73,452)	(195,258)
Changes in operating assets and liabilities:		
Trade accounts receivable	1,272,352	(3,468,361)
Inventories	(18,524)	(1,146,993)
Prepaid expenses and other current assets	(91,903)	(115,806)
Income tax receivable	6,417	(33,808)
Accounts payable	(272,193)	848,393
Accrued expenses	163,838	1,172,213
Deferred income and customer deposits	(291,608)	129,367
Net cash provided by (used in) operating activities	641,302	(1,394,421)
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(5,160,376)	(1,230,465)
Proceeds from the sale of property and equipment	20,650	0
Other assets	259,575	(262,528)
Payments on investment in sales-type leases	205,893	168,706
Net cash used in investing activities	(4,674,258)	(1,324,287)
Cash flows from financing activities:		
Payment of registration fees	0	(18,400)
Proceeds from capital lease equipment financing	1,822,770	0
Proceeds from stock option exercise	146,250	0
Principal payments on capital lease obligation	(16,603)	(26,973)
Proceeds from other notes payable	13,993,300	3,545,000
Repayment of other notes payable	(12,066,041)	(1,296,207)
Subchapter-S dividends paid	0	(718,468)

Net cash provided by financing activities	3,879,676	1,484,952
Effect of exchange rate changes on cash. . . .	(52,022)	12,682
Net decrease in cash	(205,302)	(1,221,074)
Cash, beginning of period.	230,014	1,283,794
Cash, end of period	$ 24,712	$ 62,720

See accompanying notes to the consolidated financial statements

RIMAGE CORPORATION AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Rimage Corporation, Rimage Europe Gmbh, Rimage Singapore, A/G Systems Inc. d/b/a Duplication Technology Inc. (Duplication Technology), ALF Products Inc. d/b/a ALF/Rimage (ALF Products) and Knowledge Access Inc. (Knowledge Access), collectively hereinafter referred to as the Company or Rimage. All material intercompany accounts and transactions have been eliminated upon consolidation.

Effective September 29, 1995, Rimage Corporation and Dunhill Software Services Inc. (Dunhill) completed a merger. Dunhill, who had been a significant customer of Rimage, is engaged in diskette duplication and production services. For financial reporting purposes, the merger was recorded using the pooling-of interests method of accounting under generally accepted accounting principles. Accordingly, the historical financial statements of Rimage presented for the three and nine month periods ended September 30, 1995 were restated to include the historical accounts and results of operations of Dunhill.

As a result of this merger, Rimage operates in two segments. The Rimage Systems segment consists of substantially all of the former Rimage Companies, plus the newly formed optical systems division and Rimage Singapore subsidiary. The Rimage Services segment consists of the former Dunhill operation in addition to the service business at Duplication Technology.

Rimage Systems develops, manufactures and distributes diskette, tape, CD-Recordable, and CD-ROM publishing and replication equipment, and related software products. Rimage Services provides diskette, tape and CD-ROM duplication and production services to software developers and manufacturers and information publishers.

The Company extends unsecured credit to its customers, of which, the majority are computer hardware, software and service companies, software developers and manufacturers, and information publishers.

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Rimage believes that the disclosures are adequate to make the information presented not misleading.

In the opinion of the Company, all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the consolidated financial position of the Company as of the dates and for the periods presented, have been made. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the entire year.

(2) INVENTORIES

Inventories consist of the following:

	September 30, 1996 (unaudited)	December 31, 1995

Finished goods and demonstration equipment	$1,242,429	$1,297,788
Work-in-process	709,572	670,264
Purchased parts and subassemblies	3,491,849	3,457,274
	5,443,850	5,425,326
Less reserve for excess inventories	625,000	735,000
Total inventories	$4,818,850	$4,690,326

(3) SEGMENT REPORTING (IN THOUSANDS)

	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
Revenues from unaffiliated customers:	(unaudited)	(unaudited)
Systems	$18,524	$12,343
Services	14,548	25,056
Operating earnings (loss):		
Systems	(473)	(1,916)
Service	9	2,107

	September 30, 1996	December 31, 1995
Net Identifiable Assets:	(unaudited)	
Systems	11,878	11,781
Service	14,521	12,003

(4) STOCKHOLDERS' EQUITY

STOCK ISSUED IN ACQUISITION

On September 29, 1995, in connection with the merger between Rimage and Dunhill Software Services, Inc., 1,100,000 shares of Rimage common stock were issued. (see note 5.)

TERMINATION OF DUNHILL'S S-CORPORATION STATUS

On September 29, 1995, Dunhill Software Services, Inc. terminated its S-Corporation election. Under SEC rules, Dunhill's accumulated retained earnings of $2,611,979 as of the termination of the S-Corporation election was reclassified against additional paid-in-capital.

STOCK OPTIONS

Rimage adopted a stock option plan on September 24, 1992 which allows for the granting of options to purchase up to 250,000 shares of common stock to certain key administrative, managerial and executive employees. Options under this plan may be either incentive stock options or non-qualified options. In 1993, the Rimage board of directors increased the number of allowable shares to 500,000. Pursuant to this plan, options to purchase 290,453 shares are currently issued and outstanding.

(5) 1995 ACQUISITION

Effective at the close of business on September 29, 1995, and pursuant to the Agreement and Plan of Reorganization (the Merger Agreement) dated June 6, 1995 by and between Rimage Corporation (Rimage), and Dunhill Software Services Inc. (Dunhill), Rimage issued 1,100,000 shares of stock to the former Dunhill shareholders and Dunhill was merged into Rimage. Dunhill provides diskette duplication and production services to software developers and manufacturers and information publishers, and historically was one of Rimage's largest customers. Rimage intends to continue such business for the foreseeable future. This merger was recorded using the pooling-of-interests method of accounting. Accordingly, the historical financial statements of Rimage presented for the three and nine month periods ended September 30, 1995 were restated to include the historical accounts and results of operations of Dunhill.

(6) NOTES PAYABLE TO BANK

On October 13, 1995, the Company signed a new Credit Agreement which consolidated and redefined all previously outstanding Rimage and Dunhill debt. On August 29, 1996 the Company renewed and amended its earlier agreements. This credit agreement covers the term and revolving notes discussed below. The Company is required to maintain certain financial ratios as a part of the agreement. The Company's working capital and leverage ratios were not in compliance as of and for the periods ended September 30, 1996, and the Company is currently negotiating with the bank to obtain the necessary waivers.

The Company has a term note agreement with a bank. Borrowings under the agreement are secured by substantially all Company assets, accrue interest at the bank's reference rate plus 3/4 percent and is payable in 8 equal monthly installments of $77,800 each that commenced on October 1, 1996 and which will continue until June 30, 1997 when the remaining balance shall be due. The interest rate was 9% on September 30, 1996. The outstanding amount as of September 30, 1996 was $2,800,000.

 (continued)

The Company also has a revolving line of credit agreement with a bank which expires on June 30, 1997, and which provides for borrowing up to $5,000,000. Borrowings under this agreement are secured by substantially all Company assets and accrue interest at the bank's reference rate plus one-half percent. Borrowings outstanding under this line were $4,020,000 on September 30, 1996.

(7) STATEMENTS OF CASH FLOWS

The following is additional information regarding cash flows and non-cash investing and financing activities:

During the nine months ended September 30, 1996 and 1995, cash paid for interest was $406,151 and $386,631, respectively.

During the nine months ended September 30, 1996 and 1995, cash (received) paid for income taxes was ($3,028) and $1,337, respectively.

On September 29, 1995 Rimage issued 1,100,000 shares of its common stock in connection with the merger with Dunhill Software Services, Inc.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, selected items from the Company's consolidated statements of operations, shown in thousands.

<TABLE>
<CAPTION>

	Three months ended September 30,		Nine months ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Revenues to unaffiliated customers:				
Systems	$ 7,562	$ 4,658	$18,524	$12,343
Services.	4,560	10,204	14,548	25,056
Total.	12,122	14,862	33,072	37,399
Cost of Revenues:				
Systems	5,555	3,265	12,605	7,363
Service	3,779	8,020	12,337	20,456

Total Cost of.	9,334	11,285	24,942	27,819
Operating Expenses:				
Systems	1,903	2,459	6,392	6,896
Service	743	912	2,202	2,492
Total Operating.	2,646	3,370	8,594	9,388
Operating Earnings (Loss):				
System.	104	(1,066)	(473)	(1,916)
Service	38	1,272	9	2,107
Total Operating Earnings (Loss).	142	$ 206	(464)	$ 192

</TABLE>

This report contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ significantly from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, changes in media or method used for distribution of software, technological changes in products offered by the Company or its competitors and changes in general conditions in the computer market.

RESULTS OF OPERATIONS

Rimage designs, manufactures and sells computer media publishing, replication, and printing systems, and also provides media duplication services. The Company's revenues decreased by 18% and 12% in the three months and nine months ended September 30, 1996 when compared to corresponding 1995 revenues. Consolidated net earnings (loss) for the three and nine month periods ended September 30, 1996 was $37,085 and ($812,799), respectively compared to corresponding 1995 net loss of ($82,008) and ($167,684).

SYSTEMS SEGMENT - THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

Systems revenues (which include equipment sold from Rimage Systems - Minneapolis, Rimage Europe, Duplication Technology, and Knowledge Access International) for the three and nine months ended September 30, 1995 increased by $2,904,238 and $6,181,173 respectively, when compared to the same periods of 1995. These increases were a result of the Company's transition to new products, specifically away from diskette equipment and into CD-Recordable ("CDR") and CD-ROM equipment. The Company expects increasing revenue growth from its optical products which are expected to exceed the declines of diskette and equipment revenues.

Gross profit in the first three and six months of 1996 as a percentage of revenues, decreased to 26.5% and 32.0% respectively, from 28.7% and 40.3% in the same periods of 1995. These decreases result from two main reasons; Sales mix changes resulting from revenues generated from the new CD-ROM equipment division that are higher revenue and lower margin in nature. And the prevalence in the diskette equipment industry of discounting sales prices for equipment which has resulted from soft demand caused by the shift to optical media products.

Operating expenses for three and nine months ended September 30, 1996 decreased by $556,575 and $503,847 compared to the expenses in the same periods of 1995. These decreases are attributable to staff reductions at the Minneapolis Systems and KAI divisions and were partially offset by the new 1996 divisions created for Optical equipment and the opening of Rimage Singapore. Operating expenses, as a percentage of revenues decreased in the three and nine months ended September 30, 1996 to 25.2% and 34.5% respectively, from 52.8% and 55.9% in the same periods of 1995.

Operating earnings (loss) for the three and nine months ended September 30, 1996 improved to $104,598 and ($473,003) respectively, from ($1,118,384) and ($1,916,106) during the same periods of 1995. This improvement was due to the aforementioned revenue increases and operating expense reductions, but was offset by the gross profit deterioration.

SERVICE SEGMENT - THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

Service revenues (which include the revenues of the Rimage Service Group, formerly "Dunhill", as well as the service business of Duplication Technology) for the three and nine months ended September 30, 1996 decreased by $5,644,417 and $10,508,126 compared to the same periods of 1995. These decreases resulted from the trend away from diskette and toward optical media, and also from the decreased revenues associated with one large 1995 software release that did not recur in 1996 and the reduced 1996 revenues from one other significant customer. The Company had two significant customers that accounted for 32% and 17%, respectively of service revenues in the first nine months of 1996.

Gross profit for the three and nine months ended September 30, 1996, as a percentage of revenues, decreased to 17.1% and 15.2% respectively, from 21.4% and 18.4% during the same periods of 1995. These decreases are mainly attributable to the lower revenues and the fixed nature of some manufacturing costs.

Operating expenses for the three and nine months ended September 30, 1996 decreased by $168,397 and $290,709 respectively, over operating expenses for the same periods of 1995, but increased as a percentage of revenues to 16.3% and 15.1% in 1996 from 8.9% and 9.9% in 1995. Operating expenses were relatively fixed when compared to the lower revenues.

Operating earnings for the three and nine months ended September 30, 1996 declined substantially to $37,830 and $9,497 respectively, from $1,272,676 and $2,107,292 for the same periods of 1995. The declines result from the aforementioned revenue reductions compared to cost of sales and operating expenses that did not fall proportionally.

CONSOLIDATED THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

Revenues for the three and nine months ended September 30, 1996 decreased by $2,740,179 and $4,326,953 when compared to the same periods of 1995. These decreases were a result of the reduced service revenues and were partially offset by the increase in systems revenues. The Company had one significant customer which totaled 14% of revenues during the nine months ended September 30, 1996.

Gross profit for the three and nine months ended September 30, 1996 as a percentage of revenues, decreased to 23.0% and 24.6% respectively, from 24.1% and 25.6% during same periods of 1995. These decreases are mainly due to the change in revenue mix (new CD-ROM revenues which are lower margin in nature), the sales discounting prevalent on diskette systems revenues, and the lower service revenues on relatively stable fixed manufacturing costs.

Operating expenses for the three and nine months ended September 30, 1996 decreased by $724,970 and $794,556 compared to the same periods of 1995. Operating expenses, as a percentage of sales in the three and nine months ended September 30, 1996 were 21.8% and 26.0% respectively, compared to 22.7% and 25.1% in the same periods of 1995. There were operating expense reductions in existing businesses, which were partially offset by new expenses incurred in the optical service, optical equipment, and Rimage Singapore divisions.

Net other expenses were approximately $205,000 and $122,000 lower for the three and nine month periods ended September 30, 1996 when compared to the same periods of 1995, primarily due to currency exchange fluctuations, and 1995 merger expense of approximately $156,000. The Company has not booked any income tax benefit related to the 1996 losses. Prior to the merger on September 30, 1995, Dunhill Software was a Subchapter-S Corporation and thus was not subject to federal income taxes.

Net earnings (loss) was $37,085 and ($812,799) respectively, for the three and nine month periods ended September 30, 1996 versus ($82,008) and ($167,684) for the same periods of 1995. Net earnings (loss) per share was $.01 and ($.26) respectively, for the three and nine months ended September 30, 1996 versus ($.03) and ($.05) for the same periods of 1995. The increases in both loss and loss per share are attributable to the gross margin deterioration, the unrecorded tax benefit in 1996, and the relatively stable fixed operating costs incurred on smaller revenues.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by (used in) operating activities was $641,302 and ($1,394,421) in the first nine months of 1996 and 1995, respectively. The 1996 increase resulted primarily from the reduction in accounts receivable of $1,272,352 and was partially offset by the decrease in accounts payables of $272,193 and the decrease in deferred income and customer deposits of $291,608.

The cash used in investing activities was $4,674,258 and $1,324,287 during the first nine months of 1996 and 1995, respectively. In Third Quarter 1996, the Company purchased approximately $4,100,000 in CD-ROM production equipment. At September 30, 1996 the Company has no significant commitments to purchase equipment.

At September 30, 1996, the Company's working capital was approximately $659,000 compared to $3,808,000 at December 31, 1995. This difference results primarily from capital equipment purchases, which have not yet been financed on a long-term basis. The net cash provided by financing activities was $3,879,676 and $1,484,952 for the nine months ended September 30, 1996 and 1995, respectively, as the Company's note payable rose by $1,927,259 and it added equipment lease financing of $1,822,770.

The Company has a line of credit agreement totaling $5,000,000 with a bank, which expires on June 30, 1997. Advances under this line of credit are secured by substantially all the Company's assets, are subject to borrowing base requirements, are due on demand and bear interest at the bank's reference rate plus 3/4 percent. At September 30, 1996, the Company had borrowings under this line totaling $4,020,000. The Company also has a term note agreement totaling $2,800,000 that is secured by substantially all the Company's assets, and bears interest at the bank's reference rate plus 1/2 percent. The Company is currently negotiating with the bank to obtain waivers on the covenants and requirements on which it was out of compliance on as of September 30, 1996. The Company believes its banking relationship is good and that satisfactory financing will be available on terms acceptable to the Company for the foreseeable future.

As of late September 1996, the Company has now added CD-ROM optical capacity to transition into the optical service business. The Company has obtained partial lease financing of $1,822,770 for its CD-ROM equipment purchases and is currently negotiating to obtain further lease financing on an approximate additional amount of $1,500,000.

PART II -- OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

None.

Item 2. CHANGES IN SECURITIES

Not Applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 5. OTHER INFORMATION

Not Applicable.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit No. 10.1 Second Amendment to Loan Agreement

Exhibit No. 11. Calculation of Earnings Per Share.

Exhibit No. 27. Financial Data Schedule.

(b) Reports on Form 8-K:

Not Applicable.

SIGNATURES

In accordance with the Exchange Act, this report has been signed below by following persons on behalf of the registrant and on the dates indicated.

RIMAGE CORPORATION

Registrant

Date: November 12, 1996   By : /s/ Ronald R. Fletcher

Ronald R. Fletcher
Chairman of the Board
Chief Executive Officer
(Principal Executive Officer)

Date: November 12, 1996   By: /s/ Jon D. Wylie

Jon D. Wylie
Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

EXHIBIT 11

RIMAGE CORPORATION
COMPUTATION OF NET EARNINGS PER SHARE OF COMMON STOCK

Net earnings per common share is determined by dividing the net earnings by the weighted average number of shares of common stock and common share equivalents outstanding. The following is a summary of the weighted average common shares outstanding and common share equivalents:

<TABLE>
<CAPTION>

	Three months ended September 30, 1996	Three months ended September 30, 1995	Nine months ended September 30, 1996	Nine months ended September 30, 1995
<S>	<C>	<C>	<C>	<C>
Shares Outstanding at beginning of period	3,084,500	1,950,000	3,051,000	1,950,000
Common stock issued in merger with Dunhill Software Services	0	1,100,000	0	1,100,000
Shares Outstanding at beginning of perod	3,084,500	3,050,000	3,051,000	3,050,000
Common stock issued in stock option exercise	0	0	33,500	0
Shares Outstanding at end of period	3,084,500	3,050,000	3,084,500	3,050,000
Weighted average shares of common stock outstanding	3,084,500	3,050,000	3,071,505	3,050,000
Common stock equivalents	397,453	391,455	397,453	306,455
Weighted average shares of common stock equivalents	33,932	33,834	35,921	16,593
Weighted average shares of common stock and stock equivalents	3,118,432	3,083,834	3,107,427	3,066,593
Net earnings (loss)	$37,085	$ (82,008)	$ (812,799)	$ (167,684)
Net earnings (loss) per share	$0.01	$(0.03)	$(0.26)	$(0.05)

</TABLE>

EXHIBIT 10.1

SECOND AMENDMENT
TO
AMENDED AND RESTATED CREDIT AGREEMENT

This Second Amendment to Amended and Restated Credit Agreement (this "Second Amendment"), dated as of August 29, 1996, is entered into by and between RIMAGE CORPORATION, a Minnesota corporation (the "Company") and FIRST BANK NATIONAL ASSOCIATION, a national banking association (the "Bank").

RECITALS

WHEREAS, the Company and the Bank previously entered into that certain Loan Agreement dated as of October 13, 1995, as amended by a First Amendment to Amended and Restated Credit Agreement (as amended, the "Agreement");

WHEREAS, the Company and the Bank desire to amend the Agreement to extend the maturity date of the Revolving Note and to add an additional term loan thereto;

NOW, THEREFORE, in consideration of the premises and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, it is hereby agreed by and between the Company and the Bank as follows:

1. DEFINED TERMS. All capitalized terms used in this Second Amendment shall, except as otherwise defined herein or where the context otherwise requires, have the meaning set forth in the Agreement.

2. AMENDMENT. The Agreement is hereby amended as follows:

2.1 AMENDMENT NUMBER ONE: Article I of the Agreement is amended by amending the definitions of "Dunhill Term Note", "Note" and "Replacement Term Note" in their entireties to provide as follows:

"DUNHILL TERM NOTE": As defined in Section 2.9.

"NOTE": The Revolving Note or the Term Note (together, the "Notes").

"REPLACEMENT TERM NOTE": The promissory note defined in Section 2.9 and issued in replacement of the Dunhill Term Note.

2.2 AMENDMENT NUMBER TWO: The definition of Maturity Date in Section 2.1 of the Agreement is amended by deleting the date "August 15, 1996" and inserting in its place "June 30, 1997".

2.3 AMENDMENT NUMBER THREE: Section 2.4 of the Agreement is amended in its entirety to provide as follows:

Section 2.4 INTEREST RATES, INTEREST PAYMENTS AND DEFAULT INTEREST. Interest on the Revolving Note shall accrue and be payable at a floating rate per annum equal to the sum of the Reference Rate plus one-half of one percent (0.5%) per annum, provided that, upon the occurrence and during the continuation of an Event of Default, all amounts outstanding under the Revolving Note shall bear interest at the rate otherwise applicable thereto, plus 2.0% per annum. Interest shall be payable monthly in arrears on the first day of each month commencing September 1, 1996 and at the Maturity Date.

2.4 AMENDMENT NUMBER FOUR: Section 2.9 of the Agreement is amended in its entirety to provide as follows:

Section 2.09 TERM LOAN. The Bank has previously made term loans to the Borrower as evidenced by that certain term note from the Borrower to the Bank in the original principal amount of $600,000 dated March 18, 1994 (the "Prior Term Note") and by that certain Replacement Term Note in the original principal amount of $1,500,000 dated as of October 13, 1995 (the "Replacement Term Note") which replaced that certain term note from the Bank to Dunhill Software Services, Inc. (which was acquired by the Borrower) dated as of June 30, 1995 in the original principal amount of $1,800,000 (the "Dunhill Term Note"). On the date of the Second Amendment to this Agreement (the "Second Amendment") the Bank shall lend to the Borrower the principal amount of $2,800,000 (the "Term Loan"). The proceeds of the Term Loan shall be used in part to refinance the amounts due under the Prior Term Note and the Replacement Term Note, each of which shall be replaced by the term note, substantially in the form of Exhibit A attached to the Second Amendment (the "Term Note"). The remaining proceeds of the Term Loan shall be used to purchase equipment and to term out a portion of the Borrower's indebtedness under the Revolving Note. The Term

Loan shall bear interest and shall be repaid in accordance with the provisions of the Term Note.

2.5 AMENDMENT NUMBER FIVE: Section 2.10 of the Agreement is amended in its entirety to provide as follows:

Section 2.10 INTENTIONALLY OMITTED.

2.6 AMENDMENT NUMBER SIX: Section 5.1(a) of the Agreement is amended in its entirety to provide as follows:

5.1(a) As soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, audited financial statements of the Borrower consisting of at least statements of income, cash flow and changes in stockholders' equity, and a balance sheet as at the end of such year, setting forth in each case in comparative form corresponding figures from the previous annual audit, certified without qualification by independent certified public accountants of recognized national standing selected by the Borrower and acceptable to the Bank, with computations showing whether the Borrower is in compliance with all financial covenants of this Agreement.

2.7 AMENDMENT NUMBER SEVEN: Section 5.1(b) of the Agreement is amended by adding at the end thereof, prior to the period, the following:

", together with a covenant compliance certificate in a form satisfactory to the Bank and including therewith such calculation detail as the Bank may reasonably require"

2.8 AMENDMENT NUMBER EIGHT: Section 5.1(d) of the Agreement is amended in its entirety to provide as follows:

5.1(d) As soon as practicable and in any event within 30 days after the end of each month, an accounts receivable aging report signed by the chief financial officer of the Borrower, as of the last day of the month just ended.

2.9 AMENDMENT NUMBER TEN: There is added to the Agreement the following new Section 5.12:

Section 5.12 FOREIGN CREDIT INSURANCE. The Borrower will secure foreign credit insurance in form and substance satisfactory to the Bank and covering the accounts of Rimage Europe GmbH by no later than November 30, 1996 and will provide proof of the same to the Bank.

2.10 AMENDMENT NUMBER TEN: Section 6.6 of the Agreement is amended in its entirety to provide as follows:

Section 6.6 TANGIBLE CAPITAL BASE. The Borrower will not permit its Tangible Capital Base to be less than $6,700,000 at any time through December 30, 1996, and $8,500,000 on December 31, 1996 and at any time thereafter.

2.11 AMENDMENT NUMBER ELEVEN: Section 6.7 of the Agreement is amended in its entirety to provide as follows:

Section 6.7 WORKING CAPITAL. The Borrower will not permit its Working Capital (the excess of its current assets over its current liabilities) to be less than $3,000,000 at any time.

2.12 AMENDMENT NUMBER TWELVE: Section 6.8 of the Agreement is amended in its entirety to provide as follows:

Section 6.8 LEVERAGE RATIO. The Borrower will not permit its Leverage Ratio (the ratio of its liabilities, excluding minority interests in any subsidiary, to its Tangible Capital Base) to be more than 2.5 to 1.0 at any time through December 30, 1996 and more than 2.0 to 1.0 on December 31, 1996 and at any time thereafter.

2.13 AMENDMENT NUMBER THIRTEEN: There is added to the Agreement the following new Section 6.9:

Section 6.9 Net Income. The Borrower will not permit its net income after taxes and after distributions to be less than $1,000,000 for the year ending December 31, 1996.

3. CONDITIONS TO EFFECTIVENESS OF THIS SECOND AMENDMENT. This Second Amendment shall not become effective until, and shall become effective when, each of the following conditions precedent shall have been fulfilled:

(a) The Bank shall have received this Second Amendment, the Term Note and such other documents as the Bank may require, each duly executed by the Company;

(b) The Bank shall have received a copy of the Resolutions of the Board of Directors of the Company authorizing the execution, delivery and performance of this Second Amendment, and the other documents required by the Bank with such resolutions certified by the Secretary of the Company as accurate, not rescinded or repealed and entered into the corporate minutes of the Company;

(c) The Bank shall have received a certification by the secretary of the Company (i) certifying that there has been no amendment to the Articles of Incorporation or Bylaws of the Company since the same were delivered to the Bank pursuant to the Agreement; (ii) certifying that the Company remains in good standing as a corporation under Minnesota law since the date of the Agreement; and (iii) identifying the officers executing

this Second Amendment and the other documents required by the Bank under paragraph 3(a) above, and certifying as to their incumbency;

(d) The Bank shall have received a Collateral Assignment of Patents in form satisfactory to the Bank, duly executed by the Company;

(e) The Bank shall have received a Third Party Security Agreement in form satisfactory to the Bank duly executed by Rimage Europe, GmbH. granting the Bank a security interest in the assets of Rimage Europe, GmbH. as security for the indebtedness of the Company, together with a certification of the secretary of Rimage Europe, GmbH. (or another officer) of the resolutions of the Board of Directors of such company authorizing the execution and delivery of the Third Party Security Agreement and certifying the incumbency of the officer or officers executing such Third Party Security Agreement.

(f) The Bank shall have received proof of the insurance required under the Third Party Security Agreement in form and substance satisfactory to the Bank.

(g) The Bank shall have received the Reaffirmation of Security Interest in the forms of Exhibits B and C hereto, duly executed by the parties thereto.

4. GENERAL. After this Second Amendment becomes effective, the Agreement, as hereby amended, shall remain in full force and effect.

As of the date of this Second Amendment, the Company reaffirms all of the representations and warranties made under the Agreement and such representations and warranties are true and accurate as of the date hereof and as amended hereby, and all covenants under the Agreement, as hereby amended, are maintained in full.

The Company represents and warrants that it has the power to enter into this Second Amendment and the other documents required by the Bank under paragraph 3(a) above, and has duly authorized the execution and delivery of such documents by proper corporate action, and none of such documents nor the agreements contained herein or therein contravene or constitute a default under any agreement, instrument, or indenture to which the Company is a party or a signatory or any provision of its Articles of Incorporation, its Bylaws or, to the best of its knowledge, any other agreement or requirement of law.

The Company hereby reaffirms the security interest granted to the Bank under the Security Agreement executed in connection with the Agreement.

Such security interest remains in full force and effect and secures all amounts owed by the Company to the Bank, including, without limitation, all amounts owed under the Agreement, as amended. Each reference to the "Agreement", "this Agreement", "herein" or similar references in the Agreement, shall mean the Agreement, as amended hereby.

The Company agrees to pay the Bank, upon demand, reasonable expenses, including attorneys' fees and legal expenses, incurred by the Bank in connection with this Second Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed as of the date first above written.

RIMAGE CORPORATION

By /s/ David J. Suden

David J. Suden, President

By /s/ Jon D. Wylie

Jon D. Wylie, CFO, Systems Group

FIRST BANK NATIONAL ASSOCIATION

By

Richard D. Hartman, Vice President

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